

Budget Committee on Human Services
February 25, 2004

Madame Chairman, members of the Committee, I am Mike Schwindt, Child Support Enforcement Director for the Department of Human Services. We were asked to provide information on the roles and responsibilities of the various governmental entities, as well as the costs of the child support program.

The purpose of the Child Support Enforcement program is to secure financial support from legally responsible parents so that families and children receive that support, and so that the demand on public treasuries is reduced. Our Child Support Enforcement program affects about 140,000 people, mostly in-state although a considerable number are in other states, as well as in other countries.

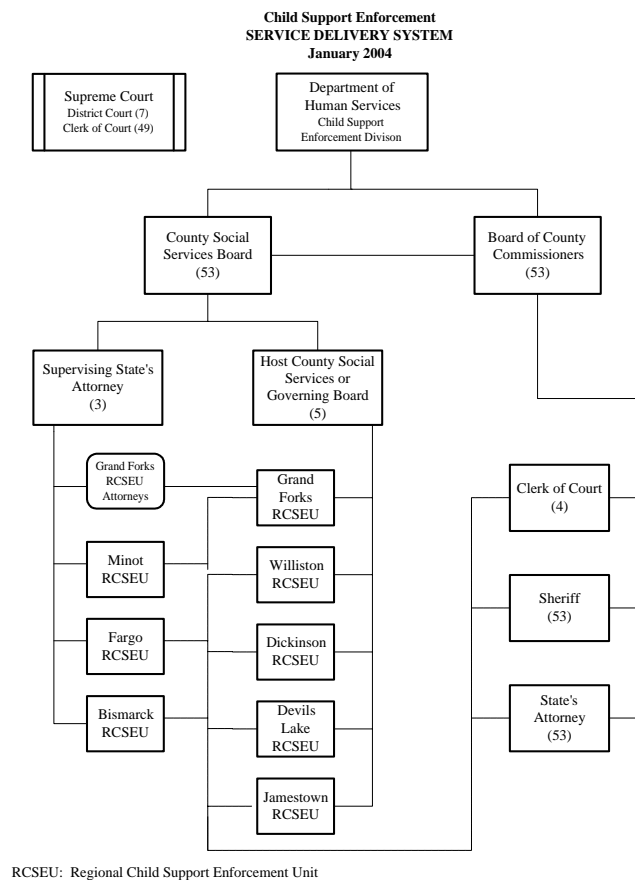
We are doing a good job but, with some structural changes and focused efforts, I believe we can have a world-class program in North Dakota with few or no new resources.

In 1996, when Governor Schafer instructed the Department to look at the programs it administered with the counties, he described the process as “convoluted, confusing and complex.” That description was accurate whether you looked at the organizational structure or the funding process. From that study, SWAP emerged as the primary funding process for the Economic Assistance programs including Child Support. The organizational structure was not materially affected and, at least with this program, continues to get more complicated.

The demands on our program have continued to grow, primarily fueled by added federal initiatives which limit much of the discretion we used to exercise. The Legislature also expanded the state office role by transferring duties from the counties resulting in a significant change of roles for the various governmental units within North Dakota. Additionally, I'm sensing more custodial parents are becoming much less tolerant when an obligor or employer does not make timely payments.

Service Delivery

The chart shows the major entities within North Dakota delivering child support services and their duties.



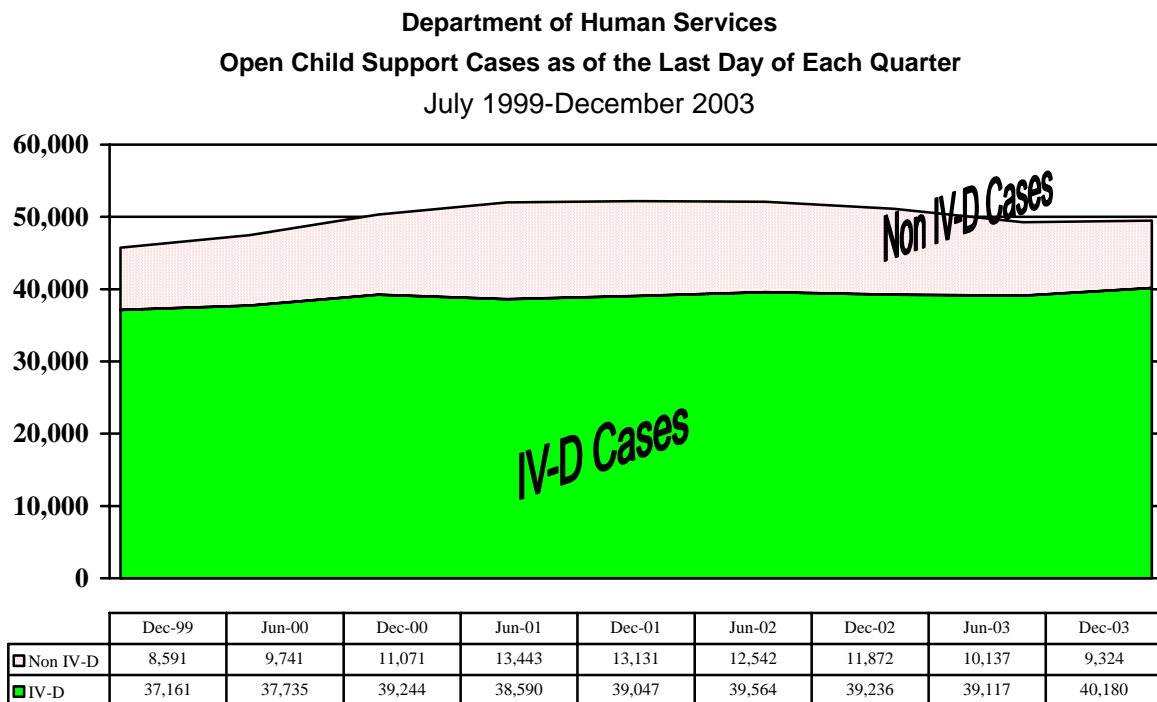
You will note that the lead roles are the responsibility of DHS and the Supreme Court with critical assistance from county government. The key

mechanism we have to manage service delivery among the various workers is FACSES, our certified computer system.

Department of Human Services. The Department, through the Child Support Enforcement Division, is responsible for the direction and supervision of the child support program in the state.

Our customer base consists of:

- The 40,180 IV-D cases which are characterized by numerous and detailed federal mandates and requirements, and
- The 9,324 nonIV-D cases, which were previously handled only by the clerks of court.



The state office is responsible for the following services on IV-D cases only unless otherwise specified:

- Maintain a federally approved State Plan for the program
- Provide financial and statistical information to the federal government

- Develop and issue policies, procedures, and instructions, and provide training
- Operate the State Disbursement Unit (SDU) which receives and distributes all IV-D and nonIV-D payments
- Manage the following programs:
 - Federal and State Tax Offset
 - Credit Bureau Reporting
 - Financial Institution Data Match (FIDM)
 - State Directory of New Hires (SDNH)
 - Passport Denial
 - Operate, and maintain the certified statewide computer system (FACSES)
- Operate the State Parent Locate Service (SPLS) which provides statewide/national locate services
- Manage the Central Registry of incoming interstate cases
- Perform program self-assessment
- Manage the Federal Case Registry (FCR)
- Issue, amend, and terminate income withholding orders (IWOs) on nonIV-D cases
- Provide customer service (IV-D and nonIV-D cases)

Supreme Court. Child support has a significant impact on the Court system.

- In 2003, there were 4,506 child support cases filed and another 4,948 cases reopened for further action.
- In the larger jurisdictions, referees hear child support matters. Reimbursement is provided for referee services on IV-D cases.
- No federal funds can be used to pay the costs of judges in this program. Costs of the judicial system in excess of amounts reimbursed through DHS are excluded from my testimony.

- The Clerks of Court continue to play a vital role in child support through a contract we have with the Supreme Court.
 - Clerks arrange the Order to Show Cause hearings when child support is not paid. In addition, they enter child support orders into FACSES, and revise that information as orders change over time.
 - In 2001 clerks in all but four counties (Sioux, Billings, Oliver, and Sheridan) became part of the Supreme Court's contract with us.
 - It is important to keep in mind that the Clerks perform those services for all child support cases, not just IV-D cases. However, federal reimbursement is limited to services provided on IV-D cases and for some eligible nonIV-D cases.

The Court system provides the following services on all cases:

- District Court:
 - Issue orders to establish paternity
 - Issue orders to establish support
 - Preside over contempt proceedings
 - Set conditions for purging contempt
 - Order incarceration
 - Revoke licenses
 - Require work activities
- Clerk of Court:
 - Enter and maintain court order information on FACSES
 - Initiate contempt proceedings
 - Provide customer service

County Social Service Boards (CSSB) – Regional Child Support Enforcement Units. By statute, the county social service boards are to administer the IV-D program on the local level.

- In addition to operating the eight RCSEUs through host counties, each CSSB also accepts applications for assistance for TANF, Foster Care, and Medicaid which are referred to us.
- The CSSB directors recently appointed a committee to work with us; so far, we have met three times with discussion focused primarily on Maintenance of Effort and incentives.
- Each regional unit operates somewhat differently. For example, three units (Ward, Burleigh and Cass) are located in the State's Attorney's office. Except for Grand Forks, the others are part of the lead county's social service board; some are supervised by regional governing boards, while others operate directly under CSSB supervision. In Grand Forks, the lawyers, including the administrator, are part of the State's Attorney's office while the other staff are part of the Social Service Board.

The regional units are responsible for services to only IV-D cases:

- Provide local locate services
- Pursue establishment of paternity
- Pursue establishment of child support and medical support orders
- Enforce child support and medical support orders
 - Income withholding
 - Federal and state tax offset
 - Credit bureau reporting
 - License and vehicle registration suspension
 - Passport denial
 - Liens on real and personal property
 - Executions on real and personal property
 - Refer for state or criminal prosecution
 - National Medical Support Notice
- Review and pursue adjustments of support orders
- Provide customer service

Sheriffs and State's Attorneys. Sheriffs and State's Attorneys play limited but essential roles in the delivery of child support enforcement services.

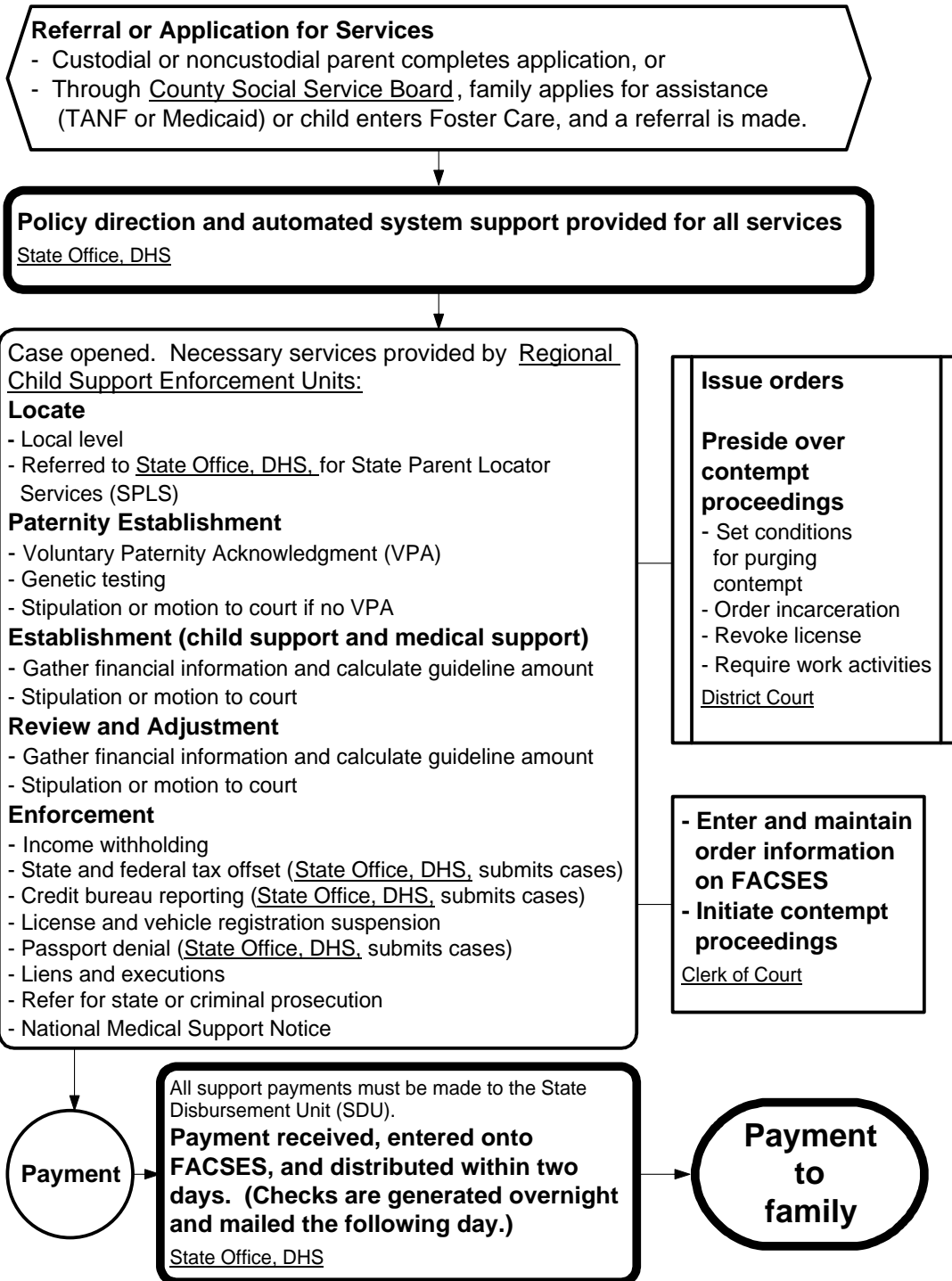
- Sheriffs are primarily involved in the service of legal process and the forced sale of assets to collect child support. They are also responsible for individuals sent to jail on contempt of court orders.
- The State's Attorneys have a legal responsibility to assist in the collection of child support. That duty is primarily discharged through RCSEU staff, although some counties do provide some direct enforcement.

Boards of County Commissioners. Due to the various roles played by the different county offices in child support enforcement, the Boards of County Commissioners are actively involved in the budgeting process to provide sufficient resources to those county offices to perform their child support enforcement duties.

Services

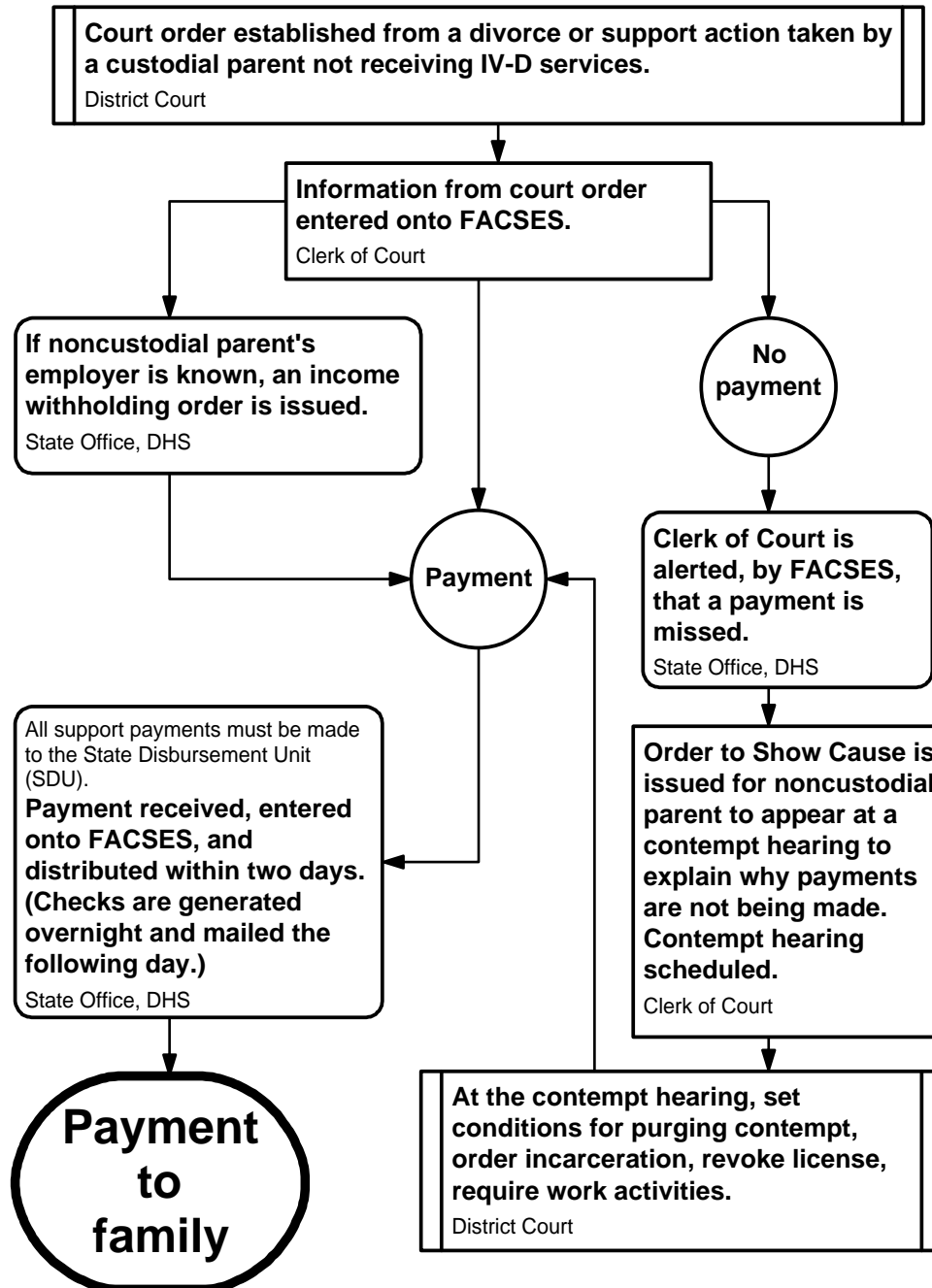
The services offered on a child support case depend on whether the case is IV-D or nonIV-D.

Flow Chart of Activities
IV-D Case
January 2004



This simplified flowchart shows who provides which services on IV-D cases.

Flow Chart of Activities
NonIV-D Case
January 2004



By contrasting this with the previous chart, we see there are extremely limited services available through the program since these cases cannot be supported with federal funds except to the limited degree of issuing IWOs

on new or modified cases since October 1, 1998 and of processing the funds through the SDU. The state office issues the IWOs on the nonIV-D cases while the RCSEUs issue the IWOs and National Medical Support Notices on the IV-D cases.

Program Funding

Not only is the structure convoluted, the funding is also. Going back to SWAP, counties assumed responsibility of the administrative costs for operating the Economic Assistance programs (e.g. Child Support, Food Stamps, LIHEAP, Medicaid and TANF) in lieu of participating in the grants costs. The logic was to give each level of government responsibility for the costs it could more closely control.

For the 2003-05 biennium, the appropriation for the Child Support Enforcement Division, excluding child support collections paid to families which has a continuing open-ended appropriation, and \$1.8 million for federal incentive payments paid to counties, is \$6.8 million of which \$1.7 million are state general funds, incentive funds or general fund equivalents. There are 38 FTEs authorized.

In addition, the DHS budget contains additional appropriations in the Division of Information Technology budget of \$6.2 million of which \$2.2 million are general funds and general fund equivalents. Included are \$1.4 million for RCSEU access to FACSES.

There are about 120 FTEs in the eight regional units. Calendar year 2003 expenditures were \$5.0 million with the 2004 budgets at about the same amount. Funding for the RCSEUs is either property taxes or federal incentive funds.

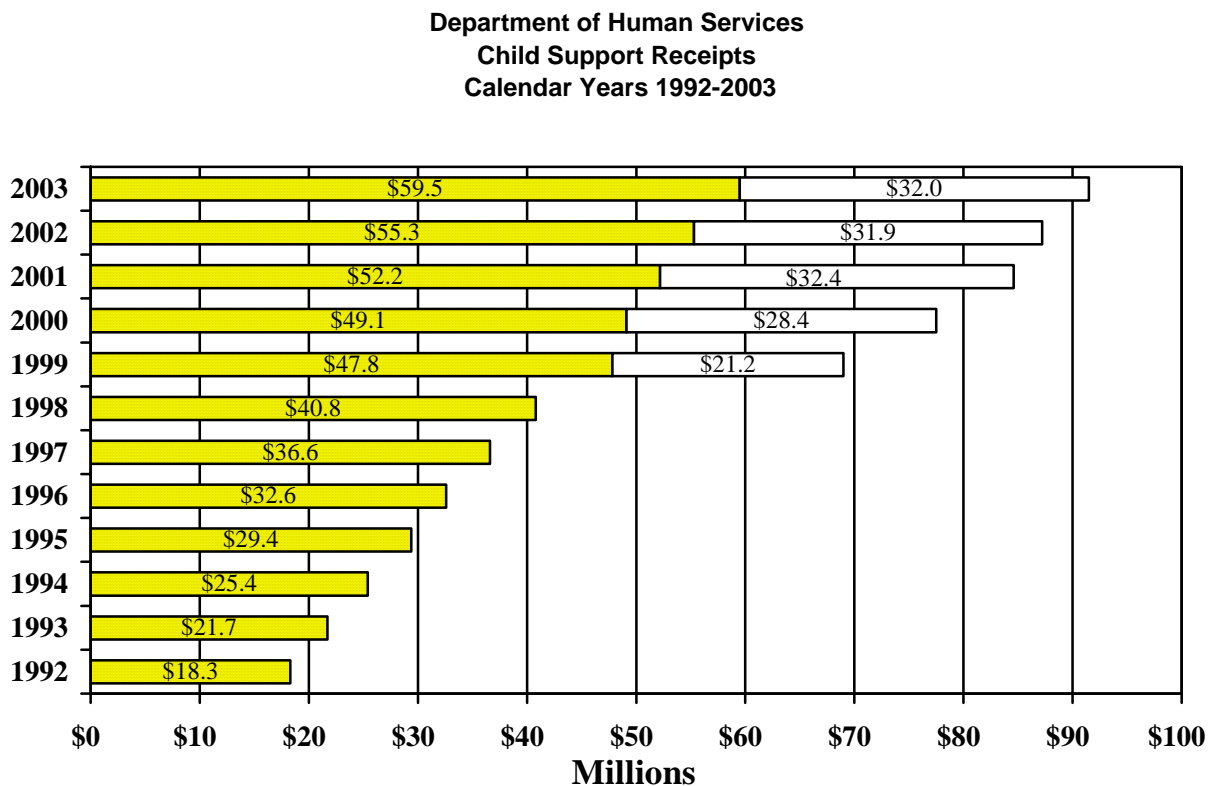
Federal funds are available from two primary sources to operate the program:

- General operations are funded at 66% for eligible program purposes. Using Federal Fiscal Year 2003 as a base, we claimed \$7.7 million to operate the program at the DHS, Supreme Court and county level.
- Incentive funds are earned, as part of our overall operations compared to the other states, and can be used as match, but are hard to predict.
 - Nationally, the amounts available (in millions) increased from \$422 in FFY 2000 to \$461 in 2003, then decreases to \$446 by 2005 before increasing again to \$483 in 2008. Thereafter, the increase is to be based on the CPI change between years.
 - Our share of the pie depends on how our performance compares to other states. Data shows we perform above the national average but quantifying this is difficult:
 - The data reliability audits are not timely completed. Since no incentive is to be available for an area where the data are inaccurate or where performance improvement is insufficient, we don't know how many pieces the pie will be sliced into or which states are still eligible to participate. We have met all audit and performance criteria.
 - More of the major states are getting certifiable systems – California and South Carolina being the notable exceptions – and passing the data reliability audits.
 - In addition to the funding to cover expenditures, we recover funds paid out as assistance in prior periods. For the 2003-05 biennium, we are projected to recover \$11.9 million for the TANF program and \$2.2 million for the foster care program. Of this, \$670,000 would be used to reduce the county share of foster care costs.
 - The appropriation process does not include the cost avoidance component. Based on recent national study, every \$1 collected

under the TANF program saves \$.42 in other program costs. For the nonTANF part, the savings were \$.19 per \$1 collected.

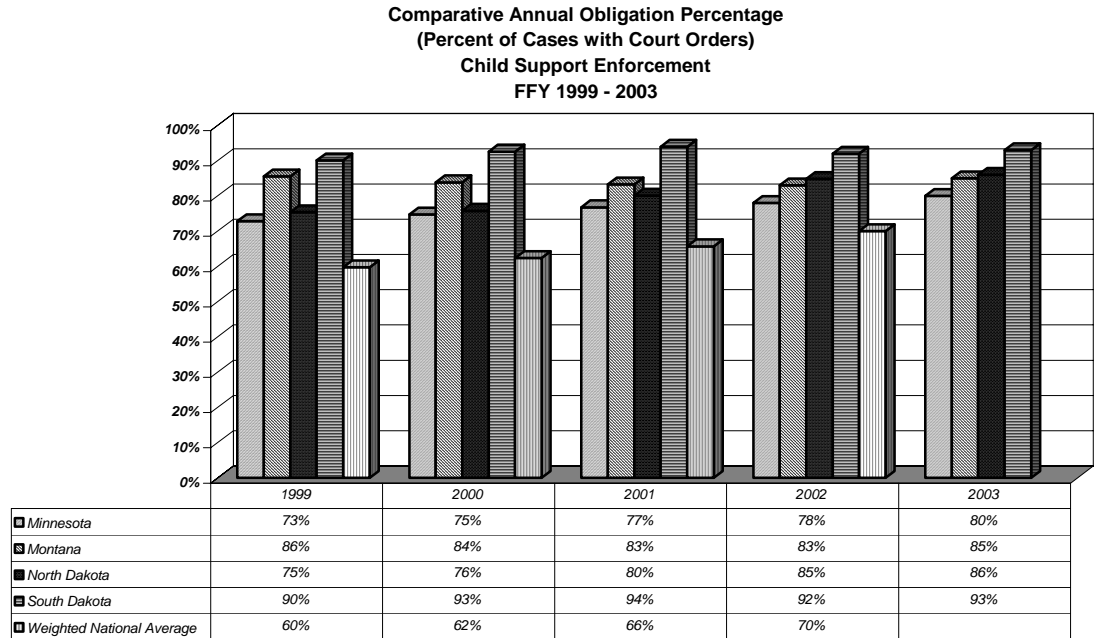
How Well Do We Do Our Job?

The answer depends on customer satisfaction. I suspect if nothing was collected on my case, my satisfaction will be low. Some customers send thank you notes. The following graph shows our collections over the past 12 calendar years:



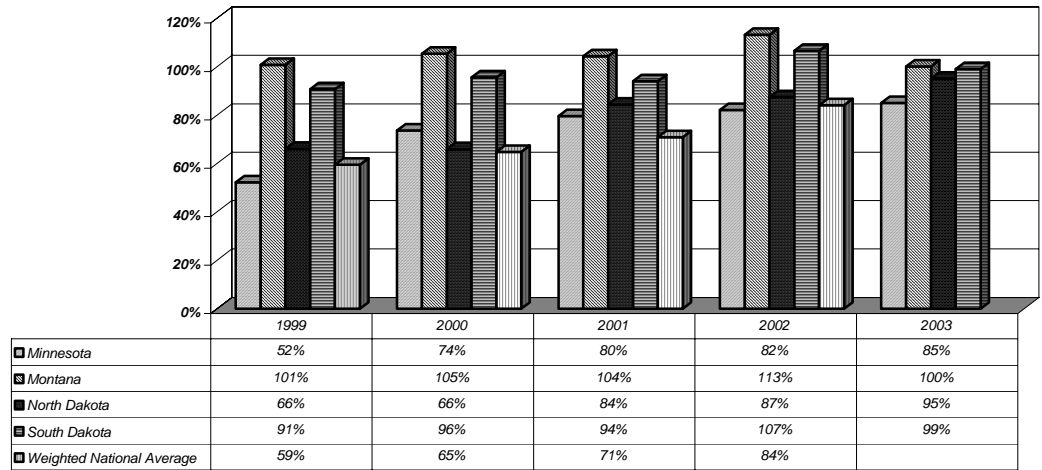
Overall Program Performance. There are a number of ways to look at job performance. The most objective mechanisms are the audited performance measures that enable comparison across state lines. In Federal Fiscal Year 2002, the last year where comparative audited numbers

are available, I am pleased to say we were 4th in the country, up from 12th the preceding year. Our performance compared with the surrounding states, including the unaudited 2003 data is shown in the following charts.



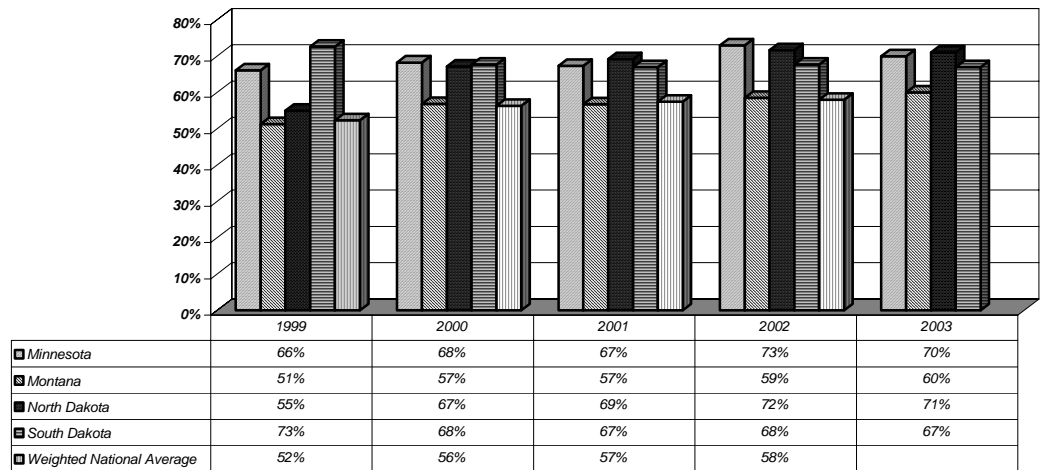
We need to have a court order in place to move forward with collecting funds for the family. The chart shows we are in the ballpark with our neighbors.

**Comparative Annual PEP Percentage
(Children Born Out of Wedlock with Paternity Established or Acknowledged)
Child Support Enforcement
FFY 1999 - 2003**



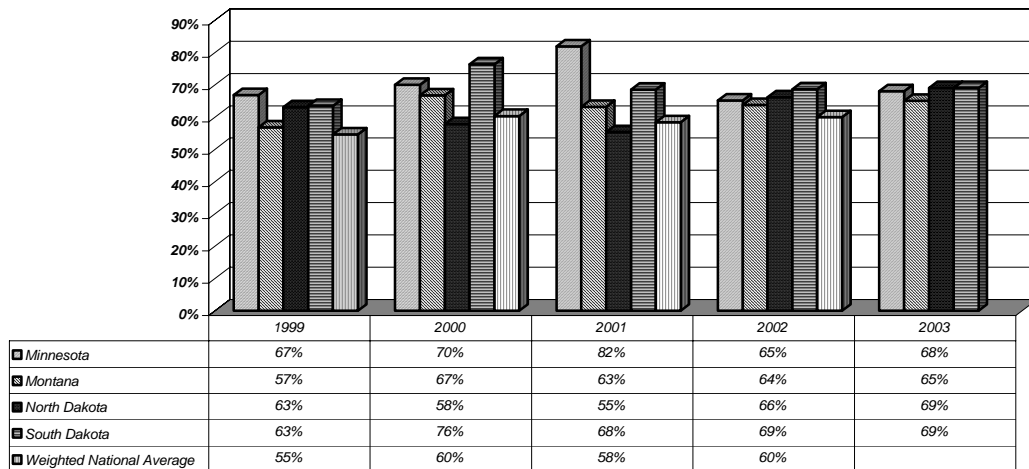
This is the area where we are at greatest risk for a TANF penalty.

**Comparative Annual Current Support Percentage
(Amount Due Each Month Actually Collected)
Child Support Enforcement
FFY 1999 - 2003**



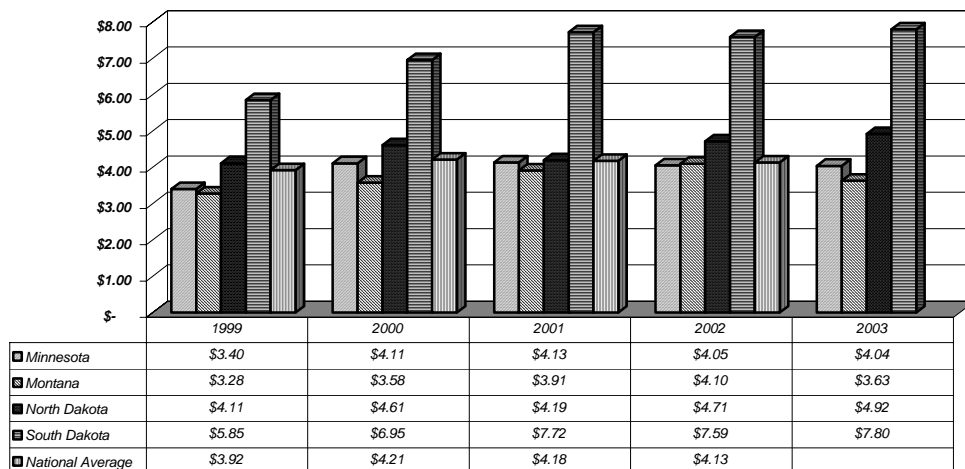
Collecting current support is equivalent to receiving a monthly paycheck.

Comparative Annual Arrears Percentage
(Cases with Outstanding Balances with a Collection During the Year)
Child Support Enforcement
FFY 1999 - 2003



Our receivables exceed \$200 million and are growing from both the uncollected principal as well as the interest component.

Comparative Annual Cost Effectiveness Rate
(Child Support Collected for Each \$1 Expended)
Child Support Enforcement
FFY 1999 - 2003



We still haven't reached the \$5 level, which would give us the full incentive for this measurement.

Regional performance. When we look internally, we see how well each region performed over the past three years. The attached chart shows the performance level for each region on these measurements for the last two years. We have a similar chart available for the 2001 FFY.

I have included a Fact Sheet that may be useful in dealing with constituent issues. It talks a little about the program, the roles of the state office, the Regional Units, the Clerks of Court as well as the court order. There are also contact points that may be useful as well.

Madame Chairman, that concludes my overview of the Child Support Enforcement program financing and organization structure. If there are questions or customer service issues that arise later you can reach me at soschm@state.nd.us.